

**Attached is
Additional Information for
Agenda Item # 20**

**Consideration of Request to Schedule a First and Only
TEFRA Hearing by the Education Facilities Authority
Regarding the Create, Inc. Student Housing Project for
Tuesday, July 8, 2008 at 6:00 p.m.**

Meeting of Tuesday, June 10, 2008

This document distributed: June 10, 2008



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June 5, 2008

Memorandum

To: Bob Kellam, Chairman
Leon County Educational Facilities Authority

From: David Moore, Managing Director
Public Financial Management, Inc.

Re: Proposed \$18,420,000 Leon County Educational Facilities Authority, Student Housing Revenue Bonds (Create, Inc. Project), Series 2008

Create, Inc (“Create” or “Borrower”) desires to issue new money debt to fund the acquisition of an existing hotel and the conversion of the hotel into dormitories and related support facilities. On January 19, 2008, Public Financial Management, Inc. (PFM) issued a memorandum opining that the proposed financing met the requirements of the Florida Statutes related to this financing. The opinion was based on our review of information presented by the Borrower and their consultants. Shortly thereafter the financial markets deteriorated significantly as the impact of the sub-prime mortgage crisis rippled through the financial markets. The expected borrowing costs increased to a level that fell outside statutory parameters and PFM rescinded its opinion on March 7, 2008.

During the last few months, the Borrower replaced its underwriter with RBC Capital Markets and revised its proforma to reflect slightly different financing terms and property tax payments. Equally important, Create delayed opening of the facility one year to allow for strategic marketing. All of these factors contribute to a stronger financing strategy. They are presenting the package to the rating agencies and anticipate obtaining an investment grade rating (BBB or better) from Fitch.

This memorandum supplements our prior report and replaces the Recommendation section in its entirety.

As with the prior report please note that all information regarding Create, the financing structure and the financial feasibility was obtained from Create and members of its financing team. PFM has not independently verified the accuracy of the information and has not prepared a separate feasibility report. The information provided in this memorandum is presented in a consolidated form to aid the Authority's in its decision making process.



SUMMARY OF THE FINANCING STRUCTURE AND SECURITY FOR THE BONDS

Financing Structure

As currently proposed, the Series 2008A Bonds will be tax-exempt, fixed-rate securities, with the interest rates determined on the sale date. Interest payments are capitalized through construction and start-up with principal payments made over 30 years from 2011 through 2040. The financing also includes subordinate notes (Series B) and Develop/Sponsor notes. The Series A Bonds will be sold to one or more investors in the public market, while subordinate notes will be placed with the seller and sponsor.

The Sources and Uses of Funds for the Series 2008 Bonds are shown below.

| Sources of Funds | |
|------------------------------|------------|
| Tax-Exempt Bonds (Series A) | 18,420,000 |
| Subordinate Bonds (Series B) | 1,500,000 |
| Developer & Sponsor Notes | 730,290 |
| Total | 20,650,290 |
| Uses of Funds | |
| Acq & Renovation Costs | 16,677,093 |
| Capitalized Interest | 1,839,428 |
| Debt Service Reserve | 1,413,150 |
| Costs of Issuance | 352,219 |
| Underwriters Discount | 368,400 |
| Total | 20,650,290 |



CONCLUSIONS

It is our experience that dormitories operate in a somewhat constrained revenue environment with relatively low margins, so many projects exhibit modest to weak financial performance. At the same time, the Project is expected to meet a unique need in the community. An intangible that supports the project is the link to Bethel Missionary Baptist Church. The Church has presented information demonstrating a long history of commitment to the community as a whole, particularly in the area surrounding the Project. In addition, Create has developed, and is prepared to implement a regional marketing program for the target market. After taking this into consideration and based upon the information provided by Create's financing team, PFM is of the opinion that the proposed financial plan is in compliance with the requirements of the Florida Statutes with the following conditions:

1. The Series A Bonds are rated in the investment grade category (BBB or higher without regard to gradation),
2. The Series B Bonds and any/all deferred fees will be structured in a manner that the obligations are only paid subordinate to all costs of operating the facility (including reserves) and all debt related obligations. The holders will have no recourse that could trigger a default of the Series A Bonds.
3. The Authority understands Create's marketing strategy, resulting in the Authority's expectation that Create can reasonably expect to obtain rates and occupancy levels outlined in their plan or at least those outlined in the sensitivity analysis,
4. The Authority believes there is a need for additional student housing.

Any material deviation from the current plans presented by Create and its partners will invalidate PFM's opinion.

Public Financial Management, Inc. is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities. PFM has not undertaken an independent verification and does not assume responsibility for accuracy, completeness, or fairness of the information contained in the above referenced documents.